

Message Text

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67

ORIGIN TRSE-00

INFO OCT-01 EUR-25 EA-11 NEA-10 ADP-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 IO-13 NSAE-00

RSC-01 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 SS-15

NSC-10 /153 R

DRAFTED BY TREASURY - SCANNER

APPROVED BY E- WCASEY

EB/ IFD/ OMA - PBALABANIS EUR/ RPE - FKINNELLY

EUR/ NE - RBURNS CEA - GFEKETEKUTY

EUR/ CE - GRUECKERT COMMERCE: DARRILL

EUR/ CAN - DTHOMSON

EUR/ WE - EBEIGEL EUR/ RPE - CHIGGINSON

EUR/ IB - JSMITH S/ S- MR. ELIOT

EA/ J - WPIEZ

EA/ ANZ - WHALL

----- 122425

P R 182306 Z JUN 73

FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY MADRID

AMEMBASSY STOCKHOLM

AMEMBASSY LONDON

AMEMBASSY CANBERRA

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

INFO USMISSION EC BRUSSELS

AMEMBASSY VIENNA

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY ATHENS

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AMEMBASSY REYKJAVIK
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY LISBON
AMEMBASSY ANKARA
AMEMBASSY BERN

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E. O. 11652: N/ A

TAGS: EFIN, OECD

REF: STATE 97319, STATE 170829, SEPTEMBER 19, 1972

SUBJ: OECD EXAMINATION OF FOREIGN INVESTMENT POLICIES
AND PRACTICES

1. OECD EXECUTIVE COMMITTEE IN SPECIAL SESSION (XCSS) WILL CONTINUE ITS EXAMINATION OF INVESTMENT ISSUES AT ITS NEXT MEETING, JULY 5-6. GENERAL US VIEWS ON PRIORITY PROBLEMS OF INTEREST TO US WERE RECENTLY TRANSMITTED TO OECD SECRETARIAT (REFTEL A) AS POSTS ARE AWARE, WE ARE INTERESTED IN INVESTMENT POLICIES AND PRACTICES OF HOST COUNTRY, SUCH AS OVERT INCENTIVES AND UNPUBLICIZED DIRECT APPROACHES TO SPECIFIC COMPANIES, WHICH MAY AFFECT EITHER DIRECTLY OR INDIRECTLY THE STRUCTURE OF INTERNATIONAL PRODUCTION, TRADE, EMPLOYMENT, AND COMPETITION. TO ASSIST IN US PREPARATION FOR XCSS DISCUSSION OF INVESTMENT ISSUES, IT WOULD BE USEFUL TO HAVE SPECIFIC CASE EXAMPLES, SUPPLEMENTING THOSE SUBMITTED IN REPLIES TO REFTEL B, OF HOST COUNTRY' S USE OF EITHER STRAIGHT- FORWARD INCENTIVES OR DECISIONS.

2. FOR OVERT INCENTIVES WE WISH POSTS IN COUNTRIES WHERE SUCH PRACTICES ARE USED TO PROVIDE:

A) NAMES OF SOME FIRMS INCLUDING US AND OTHER FOREIGN, (PREFERABLY THREE OR FOUR) THAT HAVE BENEFITED FROM HOST COUNTRY' S TAX HOLIDAY AIDS, INVESTMENT INCENTIVES OR OTHER SUBSIDIES, PARTICULARLY WHERE THE INCENTIVE IS DESIGNED TO PROMOTE EXPORTS OR ENCOURAGE IMPORT SUBSTITUTION

B) AMOUNT AND TYPE OF INVESTMENT INVOLVED, BROKEN DOWN BY LOCAL, US AND FOREIGN (TO EXTENT AVAILABLE);

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C) BRIEF DESCRIPTION OF THE TYPE OF INCENTIVE EMPLOYED, INCLUDING ESTIMATES OF THE VALUE OF EACH INCENTIVE (OR GENERAL INDICATIONS THEREOF WHERE PRECISE DATA NOT AVAILABLE);

D) POSTS SHOULD OBTAIN APPRAISALS FROM SEVERAL US FIRMS OF IMPORTANCE OF INCENTIVE IN THEIR DECISION TO UNDERTAKE THE INVESTMENT IN HOST COUNTRY (IF AVAILABLE). IF THE

INCENTIVE WAS A MAJOR FACTOR, POSTS SHOULD ALSO OBTAIN AN INDICATION FROM THE FIRM OF WHETHER THE INCENTIVE WAS INSTRUMENTAL IN THE FIRM'S DECISION TO UNDERTAKE A PARTICULAR FOREIGN INVESTMENT OF WHETHER IT ONLY HELPED DETERMINE THE LOCATION ABROAD OF THE FOREIGN INVESTMENT;

E) FIRM'S APPRAISAL OF EFFECTIVENESS OF INCENTIVE TO PROMOTE EXPORTS OR ENCOURAGE IMPORT SUBSTITUTION (IF AVAILABLE).

F) IF POSSIBLE POSTS SHOULD GIVE THEIR ESTIMATE OF NUMBER AND VALUE OF INVESTMENTS INVOLVED FROM WHICH EXAMPLES ARE DRAWN.

FOR THIS CATEGORY OF INCENTIVES, WE DO NOT HAVE IN MIND LISTING OF FIRMS THAT HAVE ENCOUNTERED " DIFFICULTIES' IN INVESTING IN HOST COUNTRY, BUT RATHER ORDINARY CASES IN WHICH US INVESTING FIRM HAS BEEN RECIPIENT OF OVERT INCENTIVES OR OTHER SUBSIDIES. IN MANY CASES THE INFORMATION REQUESTED UNDER 2(A), (B) AND (C) ABOVE CAN PRESUMABLY BE ACQUIRED FROM PUBLICLY AVAILABLE SOURCES.

3. IN ADDITION, WOULD BE HELPFUL IF POST WOULD PROVIDE CASES WHERE SUCH PRACTICES EXIST, WHERE US AND OTHER FOREIGN INVESTORS HAVE BEEN SUBJECT TO ARM- TWISTING BY HOST COUNTRY. THIS WOULD INCLUDE NEGOTIATED ARRANGEMENTS WHEREBY AN INVESTOR, IN RETURN FOR SUBSIDIES, FOR PERMISSION TO RAISE FUNDS LOCALLY, OR FOR SIMPLE AUTHORIZATION TO INVEST, AGREES TO MEET SPECIFIED CONDITIONS WITH RESPECT TO EXPORTS, IMPORT SUBSTITUTION ETC. IDEALLY CASES SHOULD PROVIDE SIMILAR DETAIL AS THAT REQUESTED FOR OVERT INCENTIVES. HOWEVER, WE ARE AWARE THIS MAY NOT BE POSSIBLE OWING TO THE SENSITIVE NATURE OF THE RELATIONSHIP BETWEEN THE HOST COUNTRY AND THE COMPANY THAT IS INVOLVED.

4. WHILE WE DO NOT INTEND TO USE EITHER THE NAME OF THE COUNTRY LIMITED OFFICIAL USE

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TRY OR COMPANY, POSTS SHOULD SPECIFICALLY INDICATE WHETHER THE REPORTED INFORMATION IS PUBLIC OR WHETHER IT IS CLEAR THAT THE COMPANY WOULD NOT OBJECT TO ITS NAME BEING USED IF NECESSARY.

5. WOULD APPRECIATE INITIAL REPLY, GIVING AS MUCH INFORMATION AS POSSIBLE AND PARTICULARLY FOR OVERT PRACTICES, WELL AHEAD OF XCSS MEETING, BUT NO LATER THAN COB JUNE 25. POSTS NEED NOT REPEAT DETAILS PREVIOUSLY REPORTED, BUT SHOULD GIVE REFERENCES. FOLLOW- UP REPORTS SHOULD BE SUBMITTED BY AUGUST 31, HAVING IN MIND PROBABLE FOLLOW- UP XCSS MEETING EARLY IN THE FALL.

6. INFO POSTS INVITED TO SUBMIT CASE EXAMPLES AS WELL FOR
THIS EXAMINATION, AND ARE PARTICULARLY ENCOURAGED TO
SUBMIT INFORMATION IN ACCORDANCE ABOVE GUIDELINES FOR
FALL XCSS MEETING. ROGERS

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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Disposition Approved on Date:
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
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TAGS: EFIN, OECD
To: BONN
BRUSSELS
CANBERRA
LONDON
MADRID
OTTAWA
PARIS

ROME
STOCKHOLM
TOKYO

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005